



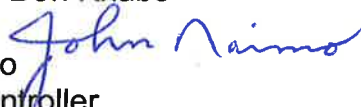
JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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December 3, 2015

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

FROM: John Naimo 
Auditor-Controller

SUBJECT: **ST. JOSEPH CENTER – A DEPARTMENT OF MENTAL HEALTH
SERVICE PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of St. Joseph Center (St. Joseph or Agency), which included a sample of billings from Fiscal Years (FY) 2012-13 and 2013-14. The Department of Mental Health (DMH) contracts with St. Joseph to provide mental health services, including interviewing Program clients, assessing their mental health needs, and implementing treatment plans.

The purpose of our review was to determine whether St. Joseph provided the services outlined in their County contract, billed DMH for Program services provided, and appropriately spent DMH Program funds. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their County contract and other applicable guidelines.

During FYs 2012-13 and 2013-14, DMH paid St. Joseph approximately \$3.2 million and \$2.8 million on a cost-reimbursement basis, respectively. The Agency provides services in the Second and Third Supervisorial Districts.

Results of Review

DMH Program Review

St. Joseph generally maintained adequate documentation to support the billings reviewed, and the staff had the required qualifications to provide the mental health services.

DMH Fiscal Review

St. Joseph properly recorded revenue in their financial records, and Agency management reviewed and approved bank reconciliations timely. However, St. Joseph did not appropriately apply their Cost Allocation Plan (Plan). Specifically, St. Joseph allocated their indirect and shared costs based on budget and not actual expenditures as required by the Agency's Plan. In addition, St. Joseph inappropriately allocated \$21,580 in October 2013 and February 2014 in indirect and shared payroll costs reviewed based on pre-determined rates, not actual hours worked as required by Section B.3.2 of the Auditor-Controller Contract Accounting and Administration Handbook.

St. Joseph's attached response indicates that they will review FYs 2012-13, 2013-14, and 2014-15 indirect and shared cost allocation methodology and where applicable, revise the DMH Cost Reports accordingly, and repay DMH for any excess amounts received, if any.

We also noted St. Joseph charged DMH an additional \$37,215 in questioned costs. For example, St. Joseph:

- Did not maintain adequate documentation, such as invoices, canceled checks, vendor agreements, list of attendees, and/or the names of the DMH clients, to support \$25,726 (\$13,042 in FY 2012-13 and \$12,684 in FY 2013-14) in staff development, training, conferences, and holiday events expenditures reviewed.

St. Joseph's attached response indicates that they will continue to work with its sub-contractor and attempt to provide the requested supporting documentation, and if unable to provide the documentation, St. Joseph will revise the DMH Cost Reports for FYs 2012-13 and 2013-14 by \$13,042 and \$12,684, respectively.

- Charged DMH \$10,612 (\$5,962 in FY 2012-13 and \$4,650 in FY 2013-14) in unallowable expenditures, such as donations, late fees, penalties, prior year supportive services expenditures, and non-DMH Program expenditures.

St. Joseph's attached response indicates that they will revise the DMH Cost Reports for FYs 2012-13 and 2013-14 by reducing its total costs in the amounts of \$5,962 and \$4,650, respectively.

Details of our review, along with recommendations for corrective action, are attached (Attachment I).

Review of Report

We discussed our report with St. Joseph and DMH. St. Joseph's attached response (Attachment II) indicates that they agree with our findings and recommendations. DMH management will work with St. Joseph to ensure our recommendations are implemented.

We thank St. Joseph management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:PH:DC:YP

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Robin Kay, Ph.D., Acting Director, Department of Mental Health
Kevin McCardle, Chair, Board of Directors, St. Joseph Center
Va Lecia Adams, Ph.D., Executive Director, St. Joseph Center
Public Information Office
Audit Committee

**ST. JOSEPH CENTER
DEPARTMENT OF MENTAL HEALTH SERVICE PROVIDER
CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2012-13 AND 2013-14**

DMH BILLED SERVICES

Objective

Determine whether St. Joseph Center (St. Joseph or Agency) maintained documentation to support the services billed to the Department of Mental Health (DMH) in accordance with their County contract and related guidelines.

Verification

We selected 39 (3%) of the 1,202 approved Medi-Cal billings for May and June 2013, which were the most current billings available at the time of our review (January 2014). We reviewed the Assessments, Client Treatment Plans, Progress Notes, and Informed Consent forms in the clients' charts for the selected billings. The 39 billings represent services provided to 20 clients.

Results

St. Joseph did not maintain documentation to support four (10%) of the 39 billings reviewed. The undocumented billings totaled \$877. Specifically, for four (10%) billings totaling \$877, the Progress Notes did not describe what the clients or service staff attempted and/or accomplished towards the Client Treatment Plan objectives, as required by the DMH Provider's Manual. According to the DMH Provider's Manual, Chapter 1, Page 1-9 and Chapter 2, Page 2-2, each chart note must include a description of service provided, what was attempted and/or accomplished during the contact toward the attainment of a treatment goal.

Recommendations

St. Joseph Center management:

- 1. Repay the Department of Mental Health \$877.**
- 2. Ensure that Progress Notes are completed and documented as required.**

STAFFING QUALIFICATIONS

Objective

Determine whether St. Joseph's treatment staff had the required qualifications to provide the mental health services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 17 (41%) of the 41 treatment staff who provided services to DMH clients during May and June 2013.

Results

Each employee reviewed had the required qualifications to provide the mental health services.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether St. Joseph properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank account reconciliations were reviewed and approved by Agency management timely.

Verification

We interviewed St. Joseph personnel, and reviewed their financial records and February 2014 bank reconciliation for one bank account.

Results

St. Joseph properly recorded revenue in their financial records, deposited their DMH cash receipts timely, and the bank reconciliation was reviewed and approved by Agency management timely.

Recommendation

None.

COST ALLOCATION PLAN/EXPENDITURES**Objective**

Determine whether St. Joseph's Cost Allocation Plan (Plan) complied with their County contract, and if expenditures charged to DMH were allowable, properly documented, and appropriately allocated.

Verification

We reviewed the Agency's Plan and their financial records for 44 non-payroll expenditures, totaling \$110,197, charged to DMH from July 2012 through February 2014. We also interviewed Agency personnel.

Results

St. Joseph prepared their Plan in compliance with their County contract. However, St. Joseph did not appropriately apply their Plan. Specifically, St. Joseph allocated their indirect and shared costs based on budget and not actual expenditures as required by the Agency's Plan. In addition, St. Joseph charged DMH \$36,338 in questioned costs. Specifically, St. Joseph:

- Did not maintain adequate documentation, such as invoices, canceled checks, vendor agreements, list of attendees, and/or the names of the DMH clients, to support \$25,726 (\$13,042 in Fiscal Year (FY) 2012-13 and \$12,684 in FY 2013-14) in staff development, training, conferences, and holiday events expenditures reviewed.
- Charged DMH \$10,612 (\$5,962 in FY 2012-13 and \$4,650 in FY 2013-14) in unallowable expenditures, such as donations, late fees, penalties, prior year supportive services expenditures, and non-DMH Program expenditures.

Recommendations**St. Joseph Center management:**

3. **Re-allocate Fiscal Years 2012-13, 2013-14, and 2014-15 indirect and shared costs allocated to the County Program based on an allowable and equitable basis, reduce the Cost Reports by over allocated amounts, and repay the Department of Mental Health for any excess amounts received.**
4. **Reduce the Fiscal Year 2012-13 Cost Report by \$5,962 and Fiscal Year 2013-14 Cost Report by \$4,650 for unallowable expenditures and repay the Department of Mental Health for any excess amounts received.**
5. **Provide supporting documentation for \$13,042 for Fiscal Year 2012-13 and \$12,684 for Fiscal Year 2013-14, or reduce the Cost Reports by the unsupported amounts and repay the Department of Mental Health for any excess amounts received.**
6. **Ensure that the indirect and shared costs are allocated to the Program in accordance with their Cost Allocation Plan and County contract requirements.**

7. Ensure that the expenditures are supported by adequate documentation.
8. Ensure that allowable expenditures are charged to the Department of Mental Health Program.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether St. Joseph's fixed assets and equipment purchased with DMH funds were used for the DMH Program and adequately safeguarded.

Verification

We interviewed St. Joseph's personnel, and reviewed their fixed assets and equipment inventory list. We also performed a physical inventory of four items purchased with DMH funds to verify the items exist and were being used for the DMH Program.

Results

St. Joseph adequately safeguarded and used the items reviewed for the DMH Program.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether St. Joseph maintained personnel files as required and if payroll expenditures charged to DMH were allowable, properly documented, and appropriately allocated.

Verification

We compared the payroll costs for ten employees and one intern, totaling \$50,350 (\$28,770 in direct, \$13,041 in indirect, and \$8,539 in shared payroll costs) for October 2013 and February 2014, to the Agency's payroll records and time reports. We also interviewed staff and reviewed personnel files for the ten employees and one intern.

Results

St. Joseph maintained adequate documentation to support the \$28,770 in direct payroll costs reviewed. In addition, St. Joseph maintained their personnel files as required.

However, St. Joseph inappropriately allocated \$21,580 in indirect and shared payroll costs reviewed based on pre-determined rates, not actual hours worked as required by Section B.3.2 of the Auditor-Controller Contract Accounting and Administration Handbook. According to Agency personnel, they were instructed to allocate their time based on a pre-determined percentage of hours worked each day by program and not actual hours worked.

Recommendations

Refer to Recommendation 3.

- 9. St. Joseph Center management ensure employees record actual hours worked each day per program.**

COST REPORT**Objective**

Determine whether St. Joseph's FY 2012-13 DMH Cost Report reconciled to their financial records.

Verification

We compared the Agency's FY 2012-13 DMH Cost Report to their financial records.

Results

St. Joseph's FY 2012-13 DMH Cost Report reconciled to their financial records.

Recommendation

None.



November 10, 2015

John Naimo
Auditor-Controller
County of Los Angeles Department of Auditor-Controller
Countrywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071

Dear Mr. Naimo,

This is in response to the draft contract compliance review conducted of St. Joseph Center for Fiscal Years 2012-13 and 2013-14. Below, please find our responses to the recommendations provided by the County.

Program Services

Results: St. Joseph overbilled DMH \$877 for four (10%) of the 39 billings reviewed.

Recommendation # 1: Repay the Department of Mental Health \$877.

St. Joseph Center Response: St. Joseph Center will repay DMH \$877.

Recommendation # 2: Ensure that Progress Notes are completed in accordance with the County Contract.

St. Joseph Center Response: SJC's Quality Assurance Director has begun quarterly trainings for all DMH program staff specifically focusing on program notes and that program notes should describe what the clients or service staff attempted and/or accomplished towards the Client Care Plan objectives. The Quality Assurance Director will also review progress notes on a regular basis to ensure that the progress notes describe what is being accomplished toward the Client Care objectives. A letter was sent by St. Joseph Center to the Auditor-Controller's office on August 28, 2015 in response to this recommendation.

Cost Allocation Plan/Expenditures

Results: St. Joseph maintained a plan as required. However, St. Joseph did not appropriately apply their Plan to the Agency's indirect and shared costs.

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Specifically, St. Joseph Center allocated their indirect and shared costs based on budget and not actual expenditures as required by the agency's plan.

SJC did not maintain adequate documentation, such as invoices, cancelled checks, vendor agreements, list of attendees and/or the names of the DMH clients to support \$25,726 (\$13,042 in FY 12-13 and \$12,684 in FY 13-14) in staff development, training, conferences and holiday events expenditures.

SJC charged DMH \$10,612 (\$5,962 in FY 12-13 and \$4,650 in FY 13-14) in unallowable expenditures such as donations, late fees, penalties, prior year supportive services and non-DMH Program expenditures.

Recommendation # 3: Reallocate Fiscal Years 2012-13, 2013-14 and 2014-15 indirect and shared costs based on allowable and equitable basis, reduce the DMH Cost Reports by the over allocated amounts and repay DMH for any excess amounts received.

St. Joseph Center Response: St. Joseph Center will review Fiscal Years 2012-13, 2013-14 and 2014-15 indirect and shared cost allocation methodology. Where applicable, St. Joseph Center will revise the DMH Cost Reports for FY 12-13, 13-14 and 14-15 accordingly and based on allowable and equitable basis. St. Joseph Center will work with DMH to evaluate the Cost Report impact(s) based on these adjustments and repay DMH for any excess amounts received, if any.

Recommendation # 4: Reduce the Fiscal Year 2012-13 DMH Cost Reports by \$5,962 and FY 13-14 Cost Report by \$4,650 for unallowable expenditures and repay DMH for any excess amounts received.

St. Joseph Center Response: As part of its corrective action, St. Joseph Center will revise the DMH Cost Reports for FY 12-13 and 13-14 by reducing its total costs in the amounts of \$5,962 and \$4,650 respectively. St. Joseph Center will work with DMH to evaluate the Cost Report impact(s) based on these adjustments and repay DMH for any excess amounts received, if any.

Recommendation # 5: Provide supporting documentation for \$13,042 for FY 12-13 and \$12,684 for FY 13-14 or reduce the Department of Mental Health Cost Reports by the unsupported amount and repay the Department of Mental Health for any excess amount.

St. Joseph Center Response: For expenditures with missing supporting documentation, St. Joseph Center will continue to work with its sub-contractor and attempt to provide requested supporting documentation. If unable to provide the documentation, St. Joseph Center will revise the DMH Cost Report for FY 12-13 and 13-14 by \$13,042 and \$12,684 respectively. St. Joseph Center will work with DMH to evaluate the Cost Report impact(s) based on these adjustments and repay DMH for any excess amounts received, if any.

Recommendation # 6: Ensure that the indirect and shared expenditures are allocated to the Program in accordance with their Cost Allocation Plan and County contract requirements.

St. Joseph Center Response: St. Joseph Center will review its indirect and shared cost allocation methodology to ensure that St. Joseph Center's Cost Allocation Plan is in accordance with the County contract requirement.

Recommendation # 7 & 8: Ensure that the expenditures are supported by adequate documentation. Ensure that the allowable expenditures are charged to the DMH Program.

St. Joseph Center Response: St. Joseph Center will strengthen its voucher review process and ensure that expenditures are supported by adequate documentation and that only allowable expenditures are charged to the DMH program.

Payroll and Personnel

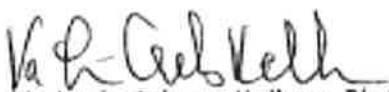
Results: St. Joseph Center inappropriately allocated indirect and shared payroll costs based on pre-determined rates, not actual hours worked each day by program.

Recommendation # 9: Maintain timecards based on actual hours worked each day per program.

St. Joseph Center Response: St. Joseph will review its cost allocation methodology, including time records supporting its cost allocations. If the current allocation methodology is no longer meeting the requirements, going forward, St. Joseph Center will allocate staff's time based on actual program duties performed by the staff.

We appreciate your team working with us to improve our operations. Should you have any questions or require additional information, please feel free to contact me at (310)-396-6468 ext. 304 or by email at vadams@stjosephctr.org.

Sincerely,



Va Lecia Adams Kellum, Ph.D.
Executive Director